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Agenda Item 6c

May 16, 2011

TO: MEMBERS OF THE INVESTMENT COMMITTEE

- I. **SUBJECT:** AB 1255 (Perez, V. Manuel) – As Amended 4/26/2011
Investments: Corporate Board Diversity Information
- II. **PROGRAM:** Legislation
- III. **RECOMMENDATION:** Support

This bill recognizes diversity as an important business issue that enhances competitiveness and innovation, consistent with CalPERS efforts in this area.

IV. ANALYSIS:

Summary

This bill requires the Secretary of State to post a link to the Internet web pages of either or both of the California Public Employees' Retirement System (CalPERS) or the California State Teachers' Retirement System (CalSTRS), and specifically, to information about and external links to digital registries of potential qualified candidates for corporate boards.

Background

The California Corporate Board Registry

Chapter 508 of the Statutes of 1993 (SB 545, Killea) required the Secretary of State to establish a registry of distinguished women and minorities who were interested in being selected for corporate board membership. No appropriation was made to establish the Registry; however, fees from individuals and corporations were authorized. Even with the authority to charge fees for inclusion in the Registry, the Secretary of State failed to establish it by the statutory deadline of January 1, 1995.

In 1998, the Secretary of State received statutory permission to transfer the Registry to a campus of the California State University (CSU) or University of California. In January of 1999, CSU Fullerton accepted the transfer of the Registry. The university worked to maintain and expand the Registry from 1999 through 2002, including approving a \$50,000 initial operating budget, establishing

an advisory board, seeking high-level corporate and nonprofit registry membership and participating in promotional and networking activities.

Registry staff and Advisory Board Members promoted the Registry at several California Governor's Conferences for Women, a Bakersfield Business Conference, the 2002 Women's Empowerment Conference, and numerous events with the National Association of Women Business Owners. Due to budget constraints, though, CSU Fullerton ceased funding the program in 2002. There is no available data on the number of registrants placed on corporate boards as a result of these efforts.

Diverse Director DataSource Project

CalPERS and CalSTRS partnered to develop the concept of a new director facility, known as the Diverse Director DataSource (3D). This resource will offer shareowners, companies and other organizations a facility from which to recruit individuals whose experience, skills and knowledge qualify them to be a candidate for a director's seat. The Corporate Library, an independent corporate governance researcher with an existing database of 130,000 public company directors, was selected as the developer of the 3D, and will independently own, operate and maintain the Diverse Director DataSource. Customized service will be available to shareowners, nominating committees, search firms and others through registered subscriptions. Additional information is available on both the CalPERS and CalSTRS websites with links to the Corporate Library's inquiry box for interested candidates.

Proposed Changes

Specifically, this bill:

- Makes Legislative findings and declarations with regard to demographics of corporate boards, the benefits of board diversification, and the need for access to information about board candidates.
- Requires the California Secretary of State's Internet website, on the next regular Internet website update after January 1, 2012, to include a link to the Internet Web pages of CalPERS or CalSTRS, where information on registries of potential qualified candidates for corporate boards can be found.

Legislative History

- 2010 AB 1491 (V. Manuel Pérez) – Would have clarified existing law regarding the transfer of the California Registry of Corporate Board Candidates. This bill died in Assembly Appropriations. *CalPERS position: None.*
- 1998 Chapter 829, Statutes of 1998 (SB 1652, Kopp) – Allowed the Secretary of State to transfer the board candidate registry to a campus of the California State University (CSU) or University of California. *CalPERS Position: None.*
- 1993 Chapter 508 of the Statutes of 1993 (SB 545, Killea) – Required the Secretary of State to establish a registry of distinguished women and minorities who were interested in being selected for corporate board membership. *CalPERS Position: None.*

Issues

1. Arguments in Support

According to the author: “Increasing awareness of corporate board candidate directories assists corporate boards and their consultants to more cost-effectively consider a broader range of individuals when selecting members of the board of directors. The State would also benefit from having stronger corporate boards of directors and the resulting better performing companies through higher tax revenues as a result of higher corporate revenues and greater job retention and creation.”

Support: Assembly Committee on Jobs, Economic Development and the Economy (Sponsor); CDC Small Business Finance; San Francisco Department on the Status of Women; SEIU Local 1000; The Greenlining Institute

2. Arguments in Opposition

There is currently no known opposition at this time.

3. CalPERS Commitment to Diversity and Inclusion

CalPERS has a long-standing commitment to diversity and inclusion in every aspect of the enterprise. The CalPERS Global Principles of Accountable Corporate Governance state that: “The Board establishes and discloses the

mix of director attributes, experiences, diverse perspectives and skill sets that are most appropriate for the company. Core attributes of directors that make up a Board should address accounting or finance, international markets, business or management experience, industry knowledge, customer-base experience or perspective, crisis response, leadership and strategic planning as well as address historically under-represented groups on the Board, including women and minorities.”

4. Legislative Policy Standards

While the Board’s State Legislative Policy Standards do not directly address this bill, it is consistent with the CalPERS Global Principles of Accountable Corporate Governance, as well as the Federal Legislative and Regulatory Investment Policy Guidelines indicate a support position on policies and programs that recognize diversity as an important business issue that enhances competitiveness and innovation. Therefore staff is recommending that the Board adopt a support position on AB 1255.

V. STRATEGIC PLAN:

This item is not a product of the CalPERS strategic plan, but an ongoing responsibility of the CalPERS Office of Governmental Affairs.

VI. RESULTS/COSTS:

Program Costs

None.

Administrative Costs

None.

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